

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Wexford Township	County Wexford
Fiscal Year End 3-31-06	Opinion Date May 23, 2006	Date Audit Report Submitted to State 7/26/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 	Printed Name Jonathan E. Damhof, C.P.A.	License Number 1101022613	

**WEXFORD TOWNSHIP, WEXFORD COUNTY**

**MESICK, MICHIGAN**

**MARCH 31, 2006**

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

MARCH 31, 2006

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*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

May 23, 2006

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Wexford Township  
Wexford County  
Mesick, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford Township, Wexford County, Mesick, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford Township, Wexford County, Mesick, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wexford Township, Wexford County, Mesick, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

Wexford Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Wexford Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$374,543. Of this amount, \$229,062 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$234,924. About 97.5% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Wexford Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

WEXFORD TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

time. The Net Assets of the Township are \$374,543 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

**Wexford Township**  
**Net Assets as of March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 234,924
Non Current Assets	
Capital Assets	149,986
Less: Accumulated Depreciation	<u>10,367</u>
Total Non Current Assets	<u>139,619</u>
<b>Total Assets</b>	<b>\$ <u>374,543</u></b>
<b>Liabilities</b>	
Current Liabilities	\$ <u>0</u>
<b>Net Assets</b>	
Invested in Capital Assets	139,619
Restricted for Specific Purposes	5,862
Unrestricted	<u>229,062</u>
<b>Total Net Assets</b>	<u>374,543</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>374,543</u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$229,062 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$34,547 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



WEXFORD TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Wexford Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2006**

	<u><b>Governmental Activities</b></u>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 2,553
<b>General Revenues</b>	
Taxes	34,997
State Grants	57,274
Interest Earnings	4,978
Other	29
<b>Total Revenues</b>	<u>99,831</u>
<b><u>Expenses</u></b>	
Legislative	3,233
General Government	42,946
Public Safety	12,776
Other Functions	6,329
<b>Total Expenses</b>	<u>65,284</u>
Change in Net Assets	34,547
NET ASSETS – Beginning of Year	<u>339,996</u>
NET ASSETS – End of Year	<u>\$ 374,543</u>

**Governmental Activities**

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$34,547 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

A significant portion of the revenue for all governmental activities of Wexford Township comes from property taxes and state shared revenue. The Township levied 0.8734 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

WEXFORD TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

The Township's governmental activities expenses are dominated by general governmental expenses that total 65.8% of total expenses. The Township spent \$42,946 in fiscal year 2006 on General Administrative expenses. Public Safety represented the next largest expense at \$12,776, or 19.6% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Administrative expenses at \$28,809. Depreciation expense added another \$3,129.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Wexford Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Wexford Township's governmental funds reported combined ending fund balances of \$234,924. Approximately 97.5%, or \$229,062 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for telecommunications right of way maintenance must be used for expenditures that relate to telecommunications right of way maintenance.

**General Fund** – The General Fund increased its fund balance by \$37,676 which brings the fund balance to \$234,924. Of the General Fund's fund balance of \$234,924, \$229,062 is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts except for board of review. Property taxes amounted to \$34,997. State shared revenues were collected in the amount of \$57,274.

**Proprietary Fund** – The Township does not maintain any proprietary funds.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$139,619 net of accumulated depreciation. There was no change in the Township's investment in capital assets for the current fiscal year.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Wexford Township**  
**Capital Assets as of March 31, 2006**

		<b>Governmental Activities</b>
Land	\$	6,000
Land Improvements		3,995
Buildings		138,372
Furniture		1,619
		<hr/> 149,986
Less Accumulated Depreciation		<hr/> 10,367
Net Capital Assets	\$	<hr/> <hr/> 139,619

There were no major capital asset events during the current fiscal year.

**Long-Term Debt.** Wexford Township has no obligation for any long-term debt as of March 31, 2006.

**Economic Condition and Outlook**

State-shared revenues are expected to remain the same in the 2006-07 fiscal year.

This factor was considered in preparing the Township's budgets for the 2006-07 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Wexford Township at 7579 W. 4 Road, Mesick, Michigan 49668.

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 197,752
Receivables	
Taxes	4,009
External Parties (Fiduciary Funds)	24,088
Due from Other Governments	<u>9,075</u>
Total Current Assets	234,924
 <u>CAPITAL ASSETS</u>	
Land	6,000
Land Improvements	3,995
Buildings	138,372
Furniture	<u>1,619</u>
	149,986
Less Accumulated Depreciation	<u>10,367</u>
Net Capital Assets	<u>139,619</u>
 TOTAL ASSETS	 <u>374,543</u>
 <u>LIABILITIES</u>	 <u>0</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	139,619
Restricted for Telecommunications Right of Way Maintenance	5,862
Unrestricted	<u>229,062</u>
 TOTAL NET ASSETS	 <u>\$ 374,543</u>

The accompanying notes are an integral part of the financial statements.

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGE IN NET ASSETS TOTAL GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 3,233	\$ 0	\$ 0	\$ 0	\$ (3,233)
General Government	42,946	2,553	0	0	(40,393)
Public Safety	12,776	0	0	0	(12,776)
Other Functions	6,329	0	0	0	(6,329)
Total Governmental Activities	<u>\$ 65,284</u>	<u>\$ 2,553</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(62,731)</u>
<u>GENERAL REVENUES</u>					
Taxes					34,997
State Grants					57,274
Interest Earnings					4,978
Other					29
Total General Revenues					<u>97,278</u>
Change in Net Assets					34,547
<u>NET ASSETS</u> - Beginning of Year					<u>339,996</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 374,543</u>

The accompanying notes are an integral part of the financial statements.

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2006

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash	\$ 197,752
Taxes Receivable	4,009
Due From Other Funds	24,088
Due From Other Governments	9,075
Total Assets	<u>\$ 234,924</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>	
Reserved	
Telecommunications Right of Way Maintenance	5,862
Unreserved	
Undesignated	229,062
Total Fund Balance	<u>234,924</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 234,924</u>

The accompanying notes are an integral part of the financial statements.

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 234,924
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land	\$ 6,000	
Land Improvements	3,995	
Buildings	138,372	
Furniture	1,619	
Accumulated Depreciation	(10,367)	139,619

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 374,543</u>
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The accompanying notes are an integral part of the financial statements.

WEXFORD TOWNSHIP, WEXFORD COUNTY

MESICK, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Taxes	\$ 34,997
State Grants	57,274
Charges for Services	2,553
Interest and Rents	4,978
Other Revenues	29
	<hr/>
Total Revenues	99,831
	<hr/>
<u>EXPENDITURES</u>	
Legislative	3,233
General Government	39,817
Public Safety	12,776
Other Functions	6,329
	<hr/>
Total Expenditures	62,155
	<hr/>
Net Change in Fund Balance	37,676
	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	197,248
	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 234,924
	<hr/>

The accompanying notes are an integral part of the financial statements.



WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 37,676
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	<u>(3,129)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 34,547</u></u>

The accompanying notes are an integral part of the financial statements.

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 26,909
	<hr/>
<u>LIABILITIES</u>	
Due to General Fund	\$ 24,088
Due to Other Governments	2,821
	<hr/>
TOTAL LIABILITIES	\$ 26,909
	<hr/>

The accompanying notes are an integral part of the financial statements.

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Wexford Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Wexford Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, Wexford Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Wexford Township totaled \$25,551,924, on which ad valorem taxes levied consisted of 0.8734 mills for Wexford Township operating purposes. The levy raised \$22,310 for operating purposes.

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Infrastructure	20
Land improvements	20
Vehicles	10
Equipment and Furniture	5-10

Wexford Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township began to capitalize and depreciate infrastructure April 1, 2004, in accordance with the Township's capitalization policy.

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

**6. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 28, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
General Government			
Board of Review	\$ 700	\$	1,025

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

These overages were funded by greater than anticipated revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are all on deposit with Honor State Bank in Buckley, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 9 of the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with Section 7 of the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$98,042 of the government's bank balance of \$224,951 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.



WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>
Receivables	
Taxes	\$ 4,009
Due from Other Governments	<u>9,075</u>
	<u>\$ 13,084</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 6,000	\$ 0	\$ 0	\$ 6,000
Capital assets, being depreciated				
Buildings	138,372	0	0	138,372
Land Improvements	3,995	0	0	3,995
Furniture	1,619	0	0	1,619
Total capital assets, being depreciated	<u>143,986</u>	<u>0</u>	<u>0</u>	<u>143,986</u>
Less accumulated depreciation for:				
Buildings	6,227	2,767	0	8,994
Land Improvements	566	200	0	766
Furniture	445	162	0	607
Total accumulated depreciation	<u>7,238</u>	<u>3,129</u>	<u>0</u>	<u>10,367</u>
Total capital assets, being depreciated, net	<u>136,748</u>	<u>(3,129)</u>	<u>0</u>	<u>133,619</u>
Governmental activities capital assets, net	<u>\$ 142,748</u>	<u>\$ (3,129)</u>	<u>\$ 0</u>	<u>\$ 139,619</u>

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government \$ 3,129

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
General Fund	\$ 24,088	\$ 0
Fiduciary Fund		
Current Tax Collection Fund	<u>0</u>	<u>24,088</u>
	\$ <u>24,088</u>	\$ <u>24,088</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

**E. Long-Term Debt**

At March 31, 2006, the Township was not obligated for any long-term debt.

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balance in the amount of \$5,862 for Telecommunications Right of Way Maintenance.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Fire Protection Contracts**

The Township has a contract with the Village of Buckley and paid \$6,388 for fire protection for the period April 1, 2005, to March 31, 2006.

The Township has a contract with Springville Township for fire protection for a portion of the Township. The contract runs from July 1, 2005, to June 30, 2006. The charge for this protection is \$6,388.

**C. Property Tax Administration Fee**

The Township passed a resolution to charge 1% administration fee on all ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the Township board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**D. Due from Other Governments**

Amount due from other governments consists of \$9,075 in state-shared revenues.

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 37,910	\$ 37,910	\$ 34,997	\$ (2,913)
State Grants	52,000	52,000	57,274	5,274
Charges for Services	2,460	2,460	2,553	93
Interest and Rents	3,000	3,000	4,978	1,978
Other Revenues	0	0	29	29
Total Revenues	95,370	95,370	99,831	4,461
<u>EXPENDITURES</u>				
Legislative				
Township Board	5,600	5,600	3,233	2,367
General Government				
Supervisor	4,000	4,000	3,162	838
Election	500	500	0	500
Assessor	17,000	17,000	10,305	6,695
Clerk	6,700	6,700	5,812	888
Board of Review	700	700	1,025	(325)
Treasurer	14,300	14,300	12,191	2,109
Building and Grounds	3,900	3,900	3,599	301
Cemetery	3,950	3,950	3,723	227
Public Safety	15,000	15,000	12,776	2,224
Public Works	13,720	13,720	0	13,720
Other Functions	10,000	10,000	6,329	3,671
Total Expenditures	95,370	95,370	62,155	33,215
Net Change in Fund Balance	0	0	37,676	37,676
<u>FUND BALANCE</u> - Beginning of Year	197,248	197,248	197,248	0
<u>FUND BALANCE</u> - End of Year	\$ 197,248	\$ 197,248	\$ 234,924	\$ 37,676

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GENERAL FUND  
BALANCE SHEET

MARCH 31, 2006

ASSETS

Cash	\$ 197,752
Taxes Receivable	4,009
Due from Other Funds	24,088
Due from Other Governments	<u>9,075</u>
 TOTAL ASSETS	 <u><u>\$ 234,924</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	<u>\$ 0</u>
 <u>FUND BALANCE</u>	
Reserved for Telecommunications Right of Way Maintenance	5,862
Unreserved	<u>229,062</u>
 Total Fund Balance	 <u>234,924</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 234,924</u></u>

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
<u>REVENUES</u>			
Taxes	\$ 37,910	\$ 37,910	\$ 34,997
State Grants	52,000	52,000	57,274
Charges for Services	2,460	2,460	2,553
Interest and Rents	3,000	3,000	4,978
Other Revenues	0	0	29
Total Revenues	95,370	95,370	99,831
<u>EXPENDITURES</u>			
Legislative			
Township Board	5,600	5,600	3,233
General Government			
Supervisor	4,000	4,000	3,162
Election	500	500	0
Assessor	17,000	17,000	10,305
Clerk	6,700	6,700	5,812
Board of Review	700	700	1,025
Treasurer	14,300	14,300	12,191
Building and Grounds	3,900	3,900	3,599
Cemetery	3,950	3,950	3,723
Public Safety	15,000	15,000	12,776
Public Works	13,720	13,720	0
Other Functions	10,000	10,000	6,329
Total Expenditures	95,370	95,370	62,155
Net Change in Fund Balance	0	0	37,676
<u>FUND BALANCE</u> - Beginning of Year	197,248	197,248	197,248
<u>FUND BALANCE</u> - End of Year	\$ 197,248	\$ 197,248	\$ 234,924

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED MARCH 31, 2006

	BALANCE				BALANCE			
	4/1/2005		ADDITIONS		DEDUCTIONS		3/31/2006	
<u>CURRENT TAX COLLECTION FUND</u>								
<u>ASSETS</u>								
Cash	\$	22,554	\$	741,329	\$	736,974	\$	26,909
<u>LIABILITIES</u>								
Due to Other Funds		22,267		28,633		26,812		24,088
Due to Other Organizations and Individuals		0		1,647		1,647		0
Due to Other Governments		287		711,049		708,515		2,821
Total Liabilities	\$	22,554	\$	741,329	\$	736,974	\$	26,909

WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
MARCH 31, 2006

TAXES ASSESSED

County			
Operating	\$	206,085	
Transit Authority		10,082	
Library		17,381	
Council on Aging		25,322	
State Education Tax		<u>153,293</u>	\$ 412,163
Schools			
Mesick Consolidated Schools		181,850	
Buckley Community School		84,088	
Benzie County Central School		<u>3,051</u>	268,989
Intermediate Schools			
Wexford-Missaukee		100,838	
Traverse Bay Area		<u>25,545</u>	126,383
Township			
Wexford Township Operating			<u>22,310</u> \$ 829,845

TAXES COLLECTED

County			
Operating		181,732	
Transit Authority		8,737	
Library		15,062	
Council on Aging		21,944	
State Education Tax		<u>141,257</u>	368,732
Schools			
Mesick Consolidated Schools		153,850	
Buckley Community School		76,282	
Benzie County Central School		<u>3,051</u>	233,183
Intermediate Schools			
Wexford-Missaukee		85,470	
Traverse Bay Area		<u>23,085</u>	108,555
Township			
Wexford Township Operating			<u>19,333</u> <u>729,803</u>



WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
MARCH 31, 2006

TAXES RETURNED DELINQUENT

County

Operating	24,353	
Transit Authority	1,345	
Library	2,319	
Council on Aging	3,378	
State Education Tax	<u>12,036</u>	43,431

Schools

Mesick Consolidated Schools	28,000	
Buckley Community School	7,806	
Benzie County Central School	<u>0</u>	35,806

Intermediate Schools

Wexford-Missaukee	15,368	
Traverse Bay Area	<u>2,460</u>	17,828

Township

Wexford Township Operating		<u>2,977</u>	<u>\$ 100,042</u>
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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

May 23, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Wexford Township  
Wexford County  
Mesick, Michigan

During the course of our audit of the basic financial statements of Wexford Township for the year ended March 31, 2006, we noted the following items:

Budgeting

The Township is doing a good job of complying with Act 621 of the Public Acts of 1978, The Uniform Budgeting and Accounting Act.

General Recordkeeping

The accounting records provided for our audit were in a similar format to those provided in prior audits with some improvement. The records provided by the clerk amounted to a checkbook register. The Treasurer continues to maintain the records on Quicken. While this type of program will work for an accounting system, it continues to include information that is not pertinent to the Township and consequently requires a rather significant amount of additional reconciliation in order to accumulate the transactions belonging to the Township for the period under examination. In addition, the cash balances of the records of the Treasurer did not agree with the cash balances of the records of the Clerk at year end. This required additional time in order to reconcile these differences.

We recommend that the Clerk and Treasurer confirm and reconcile balances that each maintain on a monthly basis to ensure that they are in agreement.

The council may wish to require some type of monthly reporting by both the Clerk and the Treasurer that provides some type of meaningful revenue and expenditure summary of the business activities of the Township so that adequate and accurate information is available for budgeting as well as sound financial management decisions.

Current Tax Collection Balance

The Current Tax Collection Fund began the year with a cash balance of \$22,553.78 which grew to \$26,908.94 by year end. This balance is made up of the following:

Benzie School	\$ 2,565.77
Commercial Forest	254.92
Wexford Township and Administrative Fees	<u>24,088.25</u>
Total	<u><u>\$26,908.94</u></u>

If you have not already done so, we recommend that these balances be distributed as soon as possible. The Summer and Winter tax account should be cleared out prior to the beginning of each new tax roll levy.

#### Telecommunications Right-of-Way Revenues

The state restricts the use of these monies to specific items, such as road construction and street lighting. As a result, \$5,862 of the General Fund fund balance is restricted. We recommend that this money and all future Telecommunication revenues be used for road construction and road maintenance projects.

#### GASB 34

The Government Accounting Standards Board has issued Statement #34. We have assisted the Township with complying with the GASB 34 requirements of the State of Michigan and GASB. The financial statements are quite different as a result of this drastic change. We recommend the board review the new financial statements, and we are available to help explain the changes in detail, if needed.

#### Internal Control

While we observed that bills are approved for payment by the Township board, we did not observe evidence of approval for payment on the bills themselves. We suggest that as a method of strengthening internal control the Township consider having a board member sign the bills approved for payment.

Related to internal control we observed that blank checks are being pre-signed. We suggest that as a method of strengthening internal control that checks not be signed until the checks are filled out and the related bill has been approved for payment.

#### Property Tax Administration Fee

As reported in the Notes to the Financial Statements, the Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

#### Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of Wexford Township for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

We would like to thank the Board for its continued confidence in our firm and to thank the Township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*

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JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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DALE D. COTTER, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
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MICHAEL D. COOL, C.P.A.

May 23, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Wexford Township  
Wexford County  
Mesick, Michigan

In planning and performing our audit of the basic financial statements of Wexford Township, Wexford County, Mesick, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*